

LEGISLATIVE FISCAL OFFICE
ANALYSIS OF BA-7 REQUEST
Approved By JLCB

DEPARTMENT: Justice

AGENDA NO.: 1

AGENCY: Attorney General

ANALYST: Matthew LaBruyere

<u>Means of Financing</u>		<u>Expenditures by Program</u>		<u>T. O.</u>
State General Fund:	\$0	Administrative	\$153,556	0
Interagency Transfers:	\$0	Civil Law	\$1,635,503	0
Self-Generated Revenue:	\$0	Criminal Law/Medicaid Fraud	\$210,941	0
Statutory Dedications:	\$2,000,000	Risk Litigation	\$0	0
Federal Funds:	\$0	Gaming	\$0	0
Total	<u>\$2,000,000</u>	Total	<u>\$2,000,000</u>	<u>0</u>

I. SUMMARY/COMMENTS

The purpose of this BA-7 request is to increase the budget authority of the statutorily dedicated Department of Justice Legal Support Fund within the Attorney General's Office. The increase is due to the enactment of Act 796 of 2014 which requires express statutory authority for compensation to a special attorney or counsel representing the Attorney General (AG), or any state agency, board or commission on a contingency fee or percentage basis. The Act also allows the AG to use settlement monies deposited into the Legal Support Fund to cover litigation expenses. Upon approval of this BA-7, the fund will have a FY 15 projected unappropriated balance of approximately \$2.6 M.

Travel expenses are estimated to be \$83,333 for the remainder of the fiscal year. Travel would consist of in-state and out-of-state travel for investigations, depositions, expert interviews and meetings. Travel would also involve attending court proceedings in the event a case is handled in a Federal jurisdiction. Travel expenses would be \$250,000 on an annualized basis. Based upon 3 cases that were recently settled, firms reported to the AG that travel expenses totaled \$0.5 M. The estimated expenses for travel, litigation and outside counsel are based on expenses incurred by firms contracted by the AG's office involving pharmaceutical cases.

The department estimates that litigation and outside counsel expenses will cost \$916,667 (\$250,000 litigation expenses + \$666,667 outside counsel) for the remainder of the fiscal year. Litigation expenses would include, but are not limited to, expert witness fees, court costs, research and deposition costs. Expert witness fees for the last three cases totaled \$3.5 M, an average of \$1.16 M per case. The AG's office would hire outside counsel to be paid at an hourly rate for specialized legal help with the cases. Act 796 states that legal services fees shall not be incurred at a rate of more than \$500 per hour. The annualized cost of these expenses would be approximately \$750,000 for litigation expenses and \$2,000,000 for outside counsel. These figures are based on information received from outside counsel costs associated with pharmaceutical cases prior to Act 796 of 2014.

The department anticipates startup costs of \$1 M, with approximately \$920,000 to be spent on hardware and software. The purchase of this equipment will be needed to increase the IT infrastructure that will be used for discovery purposes. Previously the AG's office did not require the infrastructure since contracted firms had the systems in place or contracted with companies that did have the desired infrastructure. The equipment will be used to enhance the network for storage, enhance the firewall, upgrade the database, modernize video conference and conference room equipment and enhance network security. The remaining acquisitions include laptop computers, tablets and desk phones at a cost of \$77,500.

II. IMPACT ON FUTURE FISCAL YEARS

The total cost for FY 16 and future fiscal years for travel and professional services expenses would be approximately \$3 M annually. However, the cost could increase in the event the department hires additional staff to fully implement Act 796 of 2014. Based on the department's current estimate of 14 positions at a cost of \$1.1 M and associated operating costs of \$950,000, the potential cost for a full year may be \$5.05 M. Funding for future fiscal years would depend on settlements awarded. To the extent the AG does receive settlements that are in excess of \$5 M annually, the cost of these new positions and expenses would be covered through deposits to the DOJ Legal Support Fund. To the extent the fund does not have sufficient resources to cover AG expenses for these certain cases, SGF resources may be needed.

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III. LEGISLATIVE FISCAL OFFICE RECOMMENDATION

The Legislative Fiscal Office recommends approval of this BA-7 request.

**LEGISLATIVE FISCAL OFFICE
ANALYSIS OF BA-7 REQUEST
Original: Not approved by JLCB**

DEPARTMENT: Public Safety

AGENDA NO.: 2

AGENCY: State Police

ANALYST: Matthew LaBruyere

<u>Means of Financing</u>		<u>Expenditures by Program</u>		<u>T. O.</u>
State General Fund:	\$0	Traffic Enforcement	\$0	0
Interagency Transfers:	\$0	Criminal Investigation	\$0	0
Self-Generated Revenue:	\$0	Operational Support	\$0	0
Statutory Dedications:	\$0	Gaming Enforcement	\$0	0
Federal Funds:	\$0			
Total	<u>\$0</u>	Total	<u>\$0</u>	<u>0</u>

I. SUMMARY/COMMENTS

This means of finance swap within the Office of State Police is part of the mid-year deficit elimination plan offered by the Division of Administration on 2/6/2015 to address a reduction in the revenue forecast of \$103.5 M for FY 15. The BA-7 reduces the statutorily dedicated Riverboat Gaming Enforcement Fund in the amount of \$6,000,000 and increases the statutorily dedicated Transportation Trust Fund (TTF-R) by a like amount for the Traffic Enforcement Program. In addition, this proposed BA-7 reduces the statutorily dedicated Riverboat Gaming Enforcement Fund in the amount of \$939,570 and increases the statutorily dedicated Concealed Handgun Permit Fund by a like amount for the Operational Support Program. The net fiscal impact to State Police as a result of these proposed budget changes is \$0. As a result of the swaps, the TTF-R appropriation will increase from \$59.8 M to \$65.8 M, the Riverboat Gaming Enforcement Fund appropriation will decrease from \$41.6 M to \$34.6 M and the Concealed Handgun Permit Fund appropriation will increase from \$2.8 M to \$3.7 M.

No companion BA-7 will be processed in house by the Office of Planning & Budget under the Governor's Executive Order authority as this BA-7 represents the full amount of the mid-year reduction.

Traffic Enforcement

The MOF swap decreases the Riverboat Gaming Enforcement Fund by \$6 M and increases TTF-R by \$6 M to continue operations within the Traffic Enforcement Program. At the January 29th Revenue Estimating Conference meeting, additional TTF-R revenue was recognized for FY 15. Since the May 2014 REC meeting, TTF-R revenue has increased by \$18.2 M.

The \$6 M reduction of the Riverboat Gaming Enforcement Fund will be utilized in BA-7 #24, which was approved by JLCB on 2/20/15. The \$6 M amount will likely be transferred to the Overcollections Fund to be used by Department of Health & Hospitals - Medical Vendor Payments to offset a portion of the \$32.5 M SGF reduction. The transfer authorization will likely be contained within an upcoming legislative instrument (supplemental appropriations or funds bill) during the 2015 legislative session.

Operational Support

The MOF swap decreases the Riverboat Gaming Enforcement Fund by \$939,750 M and increases the Concealed Handgun Permit Fund by a like amount to continue operations within the Operational Support Program. As of 2/12/2015, the Concealed Handgun Permit Fund currently has cash on hand balance of \$5.6 M. Upon approval of this BA-7, the fund will have a FY 15 projected unappropriated balance of approximately \$3.9 M.

Note: Upon approval of this proposed BA-7, the Riverboat Gaming Enforcement Fund will have an FY 15 projected unappropriated fund balance of \$10.4 M.

II. IMPACT ON FUTURE FISCAL YEARS

The Legislative Fiscal Office anticipates that these reductions will be annualized in the FY 16 budget.

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ANALYSIS OF BA-7 REQUEST
Original: Not approved by JLCB

III. LEGISLATIVE FISCAL OFFICE RECOMMENDATION

The Legislative Fiscal Office recommends approval of this BA-7 request.

DEPARTMENT: Public Safety

AGENDA NO.: 2

AGENCY: State Police

ANALYST: Matthew LaBruyere

<u>Means of Financing</u>		<u>Expenditures by Program</u>		<u>T. O.</u>
State General Fund:	\$0	Traffic Enforcement	\$0	0
Interagency Transfers:	\$0	Criminal Investigation	\$0	0
Self-Generated Revenue:	\$0	Operational Support	\$0	0
Statutory Dedications:	\$0	Gaming Enforcement	\$0	0
Federal Funds:	\$0			
Total	<u>\$0</u>	Total	<u>\$0</u>	<u>0</u>

I. SUMMARY/COMMENTS

This means of finance swap within the Office of State Police is part of the mid-year deficit elimination plan offered by the Division of Administration on 2/6/2015 to address a reduction in the revenue forecast of \$103.5 M for FY 15. The BA-7 BA-7 reduces the statutorily dedicated Riverboat Gaming Enforcement Fund in the amount of \$939,570 and increases the statutorily dedicated Concealed Handgun Permit Fund by a like amount for the Operational Support Program. The net fiscal impact to State Police as a result of these proposed budget changes is \$0. As a result of the swaps, the Riverboat Gaming Enforcement Fund appropriation will decrease from \$41.6 M to \$40.6 M and the Concealed Handgun Permit Fund appropriation will increase from \$2.8 M to \$3.7 M.

No companion BA-7 will be processed in house by the Office of Planning & Budget under the Governor's Executive Order authority as this BA-7 represents the full amount of the mid-year reduction.

Operational Support

The MOF swap decreases the Riverboat Gaming Enforcement Fund by \$939,750 M and increases the Concealed Handgun Permit Fund by a like amount to continue operations within the Operational Support Program. As of 2/12/2015, the Concealed Handgun Permit Fund currently has cash on hand balance of \$5.6 M. Upon approval of this BA-7, the fund will have a FY 15 projected unappropriated balance of approximately \$3.9 M.

Note: Upon approval of this proposed BA-7, the Riverboat Gaming Enforcement Fund will have an FY 15 projected unappropriated fund balance of \$16.4 M.

II. IMPACT ON FUTURE FISCAL YEARS

The Legislative Fiscal Office anticipates that these reductions will be annualized in the FY 16 budget.

III. LEGISLATIVE FISCAL OFFICE RECOMMENDATION

The Legislative Fiscal Office recommends approval of this BA-7 request.